



How is Medicare Funded?

Medicare provides health coverage for 45.2 million people. In 2008, Medicare spent \$468 billion for covered items and services. Have you ever wondered where Medicare gets this money? Read this fact sheet to find out, and learn ways that you can help Medicare save money.

What are the Medicare Trust Funds?

Medicare is paid for through two trust fund accounts held by the U.S. Treasury. These funds can only be used for Medicare.

1. Hospital Insurance (HI) Trust Fund

What does it pay for?

- Medicare Part A (Hospital Insurance) benefits, such as inpatient hospital care, skilled nursing facility care, home health care, and hospice care
- Medicare Program administration, such as costs for paying benefits, collecting Medicare taxes, and combating fraud and abuse

How is it funded?

- Payroll taxes paid by most employees, employers, and people who are self-employed
- Other sources, such as income taxes paid on Social Security benefits, interest earned on the trust fund investments, and Part A premiums from people who aren't eligible for premium-free Part A



What are the Medicare Trust Funds? (continued)

2. Supplementary Medical Insurance (SMI) Trust Fund

What does it pay for?

- Medicare Part B (Medical Insurance) benefits, such as doctor services, outpatient hospital care, home health care not covered under Part A, durable medical equipment, certain preventive services, and lab tests
- Medicare Part D prescription drug benefits
- Medicare Program administration, such as costs for paying benefits and combating fraud and abuse

How is it funded?

- Funds authorized by Congress
- Premiums from people enrolled in Part B and Part D
- Other sources, such as interest earned on the trust fund investments

Note: Both of these trust funds are also used to pay the Part A, Part B, and Part D benefits for people who join Medicare Advantage Plans (Part C).



Will the Trust Funds run out of money?

Each year, the Board of Trustees for Medicare reports on the financial status of the Medicare Program. In the most recent report, the Trustees noted that the financial condition of Medicare is a challenge that needs to be addressed soon. Whatever changes lie ahead, rest assured that Medicare is committed to reducing costs, offering choices, and making sure you have access to quality, affordable health care now and in the future.



What can you do to help Medicare save money?

Here are two things you can do to help:

1. Help prevent Medicare fraud

Medicare fraud costs Medicare a lot of money each year. Remember these tips to help prevent billing fraud:

- Ask questions! You have the right to know everything about your health care including the costs billed to Medicare.
- Educate yourself about Medicare. Know your rights and what a provider can and can't bill to Medicare.
- Be wary of providers who tell you that the item or service isn't usually covered, but they "know how to bill Medicare so Medicare will pay."

If you suspect billing fraud, here's what you can do:

1. Contact your health care provider to be sure the bill is correct.
2. Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.
3. Call the fraud hotline of the HHS Office of Inspector General at 1-800-HHS-TIPS (1-800-447-8477). TTY users should call 1-800-377-4950. You can also email HHSTips@oig.hhs.gov.
4. Call the Medicare Drug Integrity Contractor at 1-877-7SAFERX (1-877-772-3379) if you are in a Medicare Advantage Plan or a Medicare Prescription Drug Plan.

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